



● **Board of Directors**
One Water and Stewardship Committee

11/14/2023 Board Meeting

8-3

Subject

Authorize the General Manager to enter into agreements with Coachella Valley Water District, Imperial Irrigation District, and San Diego County Water Authority to allow water to be added to Lake Mead under U.S. Bureau of Reclamation's Lower Colorado River Basin System Conservation and Efficiency Program in 2023; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

Staff seeks authorization for the General Manager to enter into agreements to allow water to be added to Lake Mead pursuant to funding provided by the U.S. Bureau of Reclamation's (Reclamation) LC Conservation Program (LC Conservation Program). These agreements help California achieve the goals set out in the Colorado River Board of California's October 5, 2022, letter proposing a goal that California agencies conserve 400,000 acre-feet (AF) per year of water in Lake Mead between 2023 and 2026. Additionally, these agreements provide financial benefit to Metropolitan and the San Diego County Water Authority (SDCWA), and demonstrate how multi-agency partnerships can benefit the Colorado River. Staff specifically seeks authorization to enter into agreements for:

1. Forbearance regarding Coachella Valley Water District's (CVWD) temporary reduction in groundwater replenishment by up to 35,000 AF/year in 2023. Reclamation will provide funding to CVWD, and the conserved water will stay in Lake Mead.
2. Forbearance regarding Imperial Irrigation District's (IID) temporary reduction in irrigation in 2023 by up to 115,000 AF. This is water that IID conserves through existing programs and is comprised of up to 65,000 AF of additional conservation and up to 50,000 AF of water that would otherwise be transferred to SDCWA. Reclamation will provide funding to IID, and the conserved water will stay in Lake Mead. For the 50,000 AF of water that otherwise would be transferred to SDCWA, SDCWA proposes to agree to reduce the amount of water it is scheduled to make available to Metropolitan under the 2003 Exchange Agreement and will increase its projected full-service water purchases from Metropolitan by 50,000 AF in 2023.

Reclamation is currently developing additional proposed agreements under the LC Conservation Program, including agreements that involve Metropolitan's transfer and supply programs. Staff will seek board authorization of such agreements and any necessary forbearance when they are developed.

Timing and Urgency

These agreements would help California achieve the goals set out in the Colorado River Board of California's October 5, 2022 letter, which proposed a goal that California agencies conserve 400,000 AF per year of water in Lake Mead between 2023 and 2026.

Details

Background

Metropolitan often collaborates with other agencies to provide system water to Lake Mead. In 2006, Metropolitan entered into an agreement with Reclamation to provide up to 10,000 AF of conserved Colorado River water during 2006 and 2007 to increase Colorado River system storage. The water was conserved through voluntary fallowing under the Palo Verde Irrigation District Program. Metropolitan and other Colorado River users benefitted from the resultant increase in system storage. Reclamation provided about \$1.7 million to cover Metropolitan's expenditures associated with the supplemental fallowing.

In 2014, Reclamation initiated the Pilot System Conservation Program, which was a collective effort of the federal government and major urban water agencies to fund water-saving actions to create conserved system water to protect the elevation of Lake Powell and Lake Mead and thus benefit all Colorado River water users. The Pilot System Conservation Program funded projects that created at least 175,000 AF of conserved system water. Metropolitan provided \$5 million, which represented 15 percent of the total funding.

In 2021, Metropolitan entered into a funding agreement with Reclamation, Central Arizona Water Conservation District, and Southern Nevada Water Authority to fund additional land fallowing to conserve Colorado River system water to improve Lake Mead storage. The funding agreement was terminated during the third year to shift participation to the LC Conservation Program starting August 1, 2023.

The LC Conservation Program

The 2021 Bipartisan Infrastructure Law and the 2022 Inflation Reduction Act fund water management and conservation efforts to address the Colorado River drought. The Department of the Interior, through Reclamation, created the LC Conservation Program to increase system conservation and efficiency opportunities to address the drought in the Lower Colorado River Basin. Similar conservation programs are being developed in the Upper Colorado River Basin. The LC Conservation Program provides funding opportunities for voluntary participation to increase system conservation.

There are currently two items under the LC Conservation Program for which staff is seeking board authorization. First, forbearance is needed for an agreement Reclamation has entered into with CVWD to fund a reduction in groundwater replenishment by up to 35,000 AF/year in 2023.

Second, Reclamation is developing an agreement with IID to fund agricultural conservation in 2023. Under the proposed agreement with IID, up to 115,000 AF of conserved water from IID's existing conservation programs will be left in Lake Mead as system water. Reclamation will pay IID for this conserved water, Reclamation will reduce its deliveries of Colorado River water to IID, and IID will reduce its demand for Colorado River water by the same amount. This volume includes up to 50,000 AF of water that IID would have otherwise transferred to SDCWA. During November and December 2023, SDCWA would reduce the amount of water it is scheduled to make available to Metropolitan under the 2003 Exchange Agreement by up to 50,000 AF, and SDCWA would increase its projected full-service water purchases from Metropolitan by an equivalent amount at the full-service rate in November and December 2023. The 115,000 AF of conserved water will be subject to the same verification process that Metropolitan conducts annually regarding IID conservation. Staff seeks board authorization for this arrangement for 2023 only.

Forbearance is necessary for these actions because, under the California priority system, Colorado River water conserved by a higher-priority user is available to the next lower-priority user. Thus, as part of a program to fund the conservation of Colorado River water, contractors need to agree to forbear exercising their rights to ensure that the conserved water remains in the Colorado River system rather than become available to the next lower-priority user. Before entering into any forbearance agreement, Metropolitan staff will review the underlying agreements between Reclamation and the contractors to ensure that Metropolitan's rights as the junior priority in California are protected.

Additional agreements under the LC Conservation Program involving Metropolitan's transfer and supply programs and any necessary forbearance will be brought to the Board when those agreements are ready.

Benefits of this Partnership

The proposal to include in the LC Conservation Program 50,000 AF of water that IID would otherwise have transferred to SDCWA shows how innovative agreements can provide a “win-win” for all parties. Benefits accrue in this way:

- Reclamation benefits from the California parties working together to meet the goals set forth in California’s October 5, 2022, letter to conserve water from 2023 through 2026.
- IID benefits by conserving a portion of the water that the California parties proposed to conserve from 2023 through 2026.
- SDCWA benefits financially by reducing its purchase of conserved water from IID and instead purchasing an equivalent amount of water from Metropolitan at the full-service water rate in 2023.
- Metropolitan benefits from increased revenues through full-service sales to SDCWA rather than exchange deliveries under the Exchange Agreement. This arrangement also helps Metropolitan to manage surplus supplies in a wet year that otherwise may not have been captured in a Metropolitan storage account.

Summary

Metropolitan continues to expand and support opportunities to conserve Colorado River system water. This action reduces the risk of Lake Mead falling to elevations that trigger shortages and Drought Contingency Plan contributions. It also helps implement the proposed goals in the Colorado River Board of California’s October 5, 2022, letter. All Lower Basin water users benefit from delaying the timing and depth of shortages, DCP contributions, and preserving hydroelectric capacity at Hoover Dam.

Policy

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

By Minute Item 53051 in December 2022, Metropolitan's Board adopted legislative priorities and principles to support the funding of conservation projects to enhance the resiliency of the Colorado River System to reduce the risk of Lake Mead and Lake Powell falling below critical elevations.

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA because it involves continuing administrative activities (Section 15378(b)(2) of the State CEQA Guidelines). In addition, the proposed action is not subject to CEQA because it involves other government fiscal activities, which do not involve any commitment to any specific project that may result in a potentially significant physical impact on the environment (Section 15378(b)(4) of the State CEQA Guidelines).

CEQA determination for Option #2:

None required

Board Options

Option #1

Authorize the General Manager to enter into agreements with Coachella Valley Water District, Imperial Irrigation District, and San Diego County Water Authority to allow water to be added to Lake Mead under Reclamation’s LC Conservation Program in 2023.

Fiscal Impact: To the extent that IID leaves 50,000 AF of conserved water in Lake Mead that was planned for transfer to SDCWA, and SDCWA instead purchases a like amount of additional water from Metropolitan, Metropolitan will increase revenues by approximately \$16 million. This reflects the difference in revenues generated by selling water at Metropolitan’s full-service water rate instead of deliveries under the Exchange Agreement.

Business Analysis: The agreements would forbear additional system conservation to augment Colorado River supplies at no additional cost to Metropolitan and would increase revenue from the sale to SDCWA.

Option #2

Direct the General Manager not to enter into the agreements under the proposed terms.

Fiscal Impact: None

Business Analysis: Metropolitan would forego an opportunity to augment Colorado River water supplies to reduce the risk of future curtailment.

Staff Recommendation

Option #1

	11/8/2023
Brad Coffey Manager, Water Resource Management	Date

	11/8/2023
Adel Hagekhalil General Manager	Date